

Message Text

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ACTION EB-04

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TO SECSTATE WASHDC 1666

C O N F I D E N T I A L BONN 05700

LIMDIS GREENBACK

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GOLD

1. FINANCE MINISTRY OFFICIALS TELL THE FINANCIAL ATTACHE THAT FOR THEM THE MOST SURPRISING DEVELOPMENT AT LAST EC MONETARY COMMITTEE DISCUSSION ON GOLD WAS OPEN FRENCH INDICATION THAT FRENCH ARE NOT INTERESTED IN ANY GOLD SALES BUT ONLY IN REVALUATION OF GOLD ON FRENCH CENTRAL BANK BALANCE SHEET SO AS TO STRENGTHEN CREDIT WORTHINESS. OFFICIAL GERMAN POSITION REMAINS THAT FRG ITSELF IS NOT INTERESTED IN GOLD SALES OR IN THE UPPING OF THE OFFICIAL PRICE, BUT WOULD TOLERATE (I.E., NOT OBJECT IN IMF) TO GOLD SALES BY OTHERCENTRAL BANKS AT NEGOTIATED PRICES PROVIDED THERE WAS NO OBLIGATION TO BUY OR SELL AT THOSE PRICES AND SCHEME WAS AGREED INTERNATIONALLY (I.E., INCLUDING US AGREEMENT). UNDER SUCH AN ARRANGEMENT IT WOULD BE UP TO BUNDESBANK WHETHER TO ACCEPT OFFERS FOR SALE FROM ANY OTHER CENTRAL BANK. FINANCE MINISTRY OFFICIALS BELIEVE THERE WOULD BE LITTLE LIKELIHOOD OF BUNDESBANK PURCHASES.

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2. FINANCE MINISTRY OFFICIALS SAY THAT FRG "VIEWS WITH SYMPATHY" THE HOFFMEYER PROPOSAL (SEE BONN 5053),

BUT OPPOSES FRENCH SUGGESTION MADE IN EC MONETARY COMMITTEE THAT THE PROPOSAL BE AMENDED TO PROVIDE FOR INTERVENTION TO MAINTAIN THE FREE MARKET PRICE WITHIN THE AGREED UPON RANGE UNTIL IT IS DECIDED TO SHIFT THAT RANGE.

3. GOLD WILL BE ON AGENDA OF EC FINANCE MINISTERS' MEETING ON APRIL 22, BUT GERMANS DO NOT EXPECT SIGNIFICANT PROGRESS TOWARD AGREEMENT. GISCARD IS ALSO SCHEDULED AT THAT MEETING TO PRESENT NEW FRENCH PLAN FOR JOINT EC FLOAT (SEE STATE 61893), BUT GERMANS SAY THEY HAVE NOT YET ANY INDICATION AS TO EXACTLY WHAT GISCARD IS LIKELY TO PROPOSE.
HILLENBRAND

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